MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

PAL0022 – BASIC ACCOUNTING FOR LAWYERS

(Foundation in Law)

4 MARCH 2016
9.00 a.m – 11.00a.m
(2 hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **EIGHT** pages. (excluding the cover page)
2. Answer **ALL** questions in **Sections A** and **B**.
3. Shade your answers for **Section A** on the OMR sheet. Write your answers for **Sections B** in the Answer Booklet.

SECTION A: MULTIPLE CHOICE [20 MARKS]

Instructions: Answer **ALL** questions in this section. Write your answers in the Answer Booklet.

1. What is accounting?
   A. The recording of data
   B. Resources are supplied by others, as well as the owner
   C. The risks of granting credit or lending money to particular businesses.
   D. The process of identifying, measuring and communicating economic information

2. Capital accounts consists of the following items **EXCEPT** _____
   A. land
   B. revenue
   C. expenses
   D. withdrawal

3. Personal accounts belong to _____.
   A. capital
   B. income
   C. expenses
   D. accounts receivable and accounts payable

4. _____ is cash account and bank account that are put together in one book.
   A. Cash book
   B. Sales journal
   C. Purchase journal
   D. Return inwards journal

5. Which of the various times during the year is needed to balance the T- Accounts?
   A. At the early of the month.
   B. At the middle of the year
   C. Every two years of each accounting period
   D. At the end of each accounting period to summarise the situation.

6. _____ is a list of balances extracted from all the accounts arranged in such a way that the debit balances are listed on one side and the credit balances on the other side.
   A. Trial balance
   B. Statement of Financial Position
   C. Statement of Changes in Equity
   D. Statement of Comprehensive Income

Continued...

7. Revenue expenditure is _____.
   A. expenditure incurred with any associated legal costs
   B. expenditure incurred with any costs needed to ready the asset for use.
   C. expenditure incurred in running the business on a day-to-day basis
   D. expenditure incurred when buying the asset and bringing it into the business

8. A risk that some customers will not pay for their goods is called _____.
   A. bad debts
   B. prepaid expenses
   C. accrued expenses
   D. depreciation expenses

9. Which of the following would probably be a non-profit organisation?
   A. A factory.
   B. A law firm.
   C. A financial institution.
   D. A staff club of a corporation.

10. _____ are organisations run for the benefit of their members.
    A. Partnership
    B. Limited companies
    C. Sole propreitorship
    D. Non-profit organisations

11. Non-profit-oriented organisations will **NOT** prepare the following statements **EXCEPT** _____.
    A. Statement of Financial Position
    B. Statement of Changes in Equity
    C. Receipts and payments accounts
    D. Income and expenditure accounts

12. Donations received by a non-profit organisation are usually shown as _____ in the year in which they are received.
    A. payment
    B. liability
    C. income
    D. expenditure

13. _____ can, but do not have to, offer their shares for sale on the Stock Exchange.
    A. Partnership
    B. Sole proprietorship
    C. Public limited companies
    D. Private limited companies

Continued...

14. Total of the share capital which the company is allowed to issue to shareholders is called _____.
    A. uncalled capital
    B. called-up capital
    C. issued share capital
    D. authorised share capital

15. Other names of loan notes are as follows **EXCEPT** _____.
    A. debenture
    B. loan stock
    C. loan capital
    D. interest on loan

16. _____ is charged to net income to determine the net income after taxation.
    A. Tax relief
    B. Double tax
    C. Individual tax
    D. Corporate tax

17. Which of the following is a financing activity on the statement of cash flows?
    A. Payment of dividends
    B. Sale of building
    C. Collections from customers
    D. All of the above are financing activities

18. The statement of cash flows shows_____.
    A. shows the profits of a business
    B. the assets, liabilities and capital at a point in time
    C. the changes in a company's retained earnings over the reporting period
    D. where cash has come from during the year, and exactly what we have done with it

19. Which of the following is **NOT** a purpose of cash flows statement?
    A. They predict net income.
    B. They predict future cash flows.
    C. They help evaluate management decisions.
    D. They predict ability to pay debts or dividends.

20. A statement of cash flow can be used to assess the following **EXCEPT**_____.
    A. expenditure
    B. a valuation of the business
    C. how far future share issues may be needed
    D. how far the business will be able to meet future commitments

Continued...

SECTION B: STRUCTURED QUESTION [80 MARKS]

Question 1

Hexton is a manufacturer of computer components. Below are information from Hexton's book:

	RM
Opening inventory of raw materials	5,000
Closing inventory of raw materials	6,000
Selling and administrative costs	12,000
Utilities	8,500
Insurance	7,800
Indirect labor cost	9,400
Direct labour	12,500
Carriage inwards of raw materials	1,200
Depreciation on sales equipment	8,800
Depreciation on factory equipment	10,500
Purchase of raw materials	9,200

Note:
50% of the utilities expense and 40% of the insurance expense apply to factory operations. The remaining amounts should be charged to selling and administrative activities.

REQUIRED
Calculate the following costs:

a) Cost of raw materials consumed
b) Prime cost
c) Manufacturing overhead
d) Selling & administrative costs

(Total 20 marks)

Question 2

The following trial balance has been prepared on 31 December 2015, from the books of Kit & Kat.

Kit & Kat
Trial Balance as at 31 December 2015

	Debit (RM)	Credit(RM)
Purchases and sales	10,250	25,400
Return inwards and outwards	300	490
Inventory, 1 Jan 2015	2,000	
Administrative salaries	10,300	
Insurance on building	890	
Office expenses	1,000	
Accounts Receivable and Payable	4,110	2,370
Equipment	12,100	
Vehicles	18,200	

Continued...

Capital Accounts:		
Kit		18,000
Kat		14,190
Drawings in cash:		
Kit	700	
Kat	300	
Cash	300	
	60,450	**60,450**

Additional information:

1) The closing inventory is valued at RM1,500.
2) Equiment is to be depreciated at 15% per annum on cost.
3) Vehicle is depreciated at 10% per annum on net book value.
4) Administrative salaries accrued at the end of the year is RM300.
5) Insurance on building is prepaid by RM200.
6) Profits and losses are shared according to the following; Kit (3/5), Kat (2/5)
7) 2% interest is allowed on partners' capital and the 5% interest is charged on partners' drawings.

REQUIRED

Prepare the Income Statement (including appropriation) for the year ended 31 December 2015.

(Total 20 marks)

Question 3

The following financial statements were taken from the book of Roda Impian Berhad, a public limited company as at 31 December 2015.

Roda Impian Berhad
Income statement for the year ended 31 December 2015

	RM	RM
Gross profit		118,565
Add: Incomes		
Commission Received		55,000
		173,565
Less: Expenses		
Wages and salaries	54,788	
Rent	4,000	
Allowance for doubtful debts	**a)**_____	
General expenses	34,465	
Depreciation of Machinery	5,500	
Loan Notes interest	**b)**_____	
		(106,135)
Net profit before tax		67,430
Corporate tax		**c)**_____
Profit after taxation= retained profits for the year		**d)**_____

Continued...

Roda Impian Berhad

e)

	Retained profits (RM)	General Reserves (RM)
Opening balance	34,280	55,000
f)_____	47,201	
Transferred to general reserves	g)_____	h)_____
Preference dividend paid	(1,000)	
Ordinary dividend paid	(12,000)	
Closing balance	i)_____	j)_____

The following additional information is also available:

i) The allowance for doubtful debts is 6% of current Net Accounts Receivable. The current value of accounts receivable and bad debts are as follow:

Accounts receivable	RM5,200
Bad debts	RM3,000

ii) The current Loan Notes value is as follow:

5% Loan Notes	RM145,000

iii) Corporate tax is 30% on current year net profit.

iv) The directors decided to transfer RM 10,000 to General Reserves.

REQUIRED

Fill in the missing spaces with the correct name or figures in a)- j).

(Total 10 marks)

Question 4

There are three activities listed in the Statement of Cash Flows namely operating activities, investing activities and financing activities. Below is the statement of cash flow that was prepared for High Mountain Bhd for the year ended 31 December 2015.

High Mountain Berhad

Statement of Cash Flows For the Year Ended 31 December 2015

Cash Flows from Operating Activities:		
Net Income	230,000	
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
a) Payment of dividend	75,000	
b) Proceeds from sale of equipment	14,000	
c) Decrease in Accounts Receivable	50,000	
d) Purchase of Land	40,000	
e) Increase in Prepaid Expenses	(10,000)	
f) Drawings by owner	30,000	**Continued....**

Net Cash Provided by Operating Activities		429,000
Cash Flows from Investing Activities:		
g) Loss on Sale of Equipment	26,000	
h) Increase in Accounts Payable	(250,000)	
Net Cash Used by Investing Activities		(224,000)
Cash Flows from Financing Activities:		
i) Decrease in Inventory	(40,000)	
j) Depreciation expense	(40,000)	
Net Cash Used by Financing Activities		(80,000)
Net Decrease in Cash		125,000
Cash at Beginning of Year		50,000
Cash at End of Year		175,000

REQUIRED

For each of the items (a-j), indicate whether each activity is classified under the correct classification. For each incorrect classification, write down the correct answer in the format as below:

(Total 20 marks)

(No calculation required)

	Correct or Incorrect	Correct classification
a)		
b)		
c)		
d)		
e)		
f)		
g)		
h)		
i)		
j)		

Question 5

The following items are reported on a firm's Statement of Financial Position.

	RM
Cash	140,000
Accounts Receivable (net)	60,000
Average Inventory	170,000
Accounts Payable	120,000
Net Sales	380,000
Cost of sales	210,000
Purchases	132,000

Continued..

REQUIRED

Compute the following ratios. Round off answers to one decimal place.

a) Current ratio

b) Inventory turnover

c) Accounts receivable to sales ratio

d) Accounts payable to purchases ratio

(Total 10 marks)

End of Paper